

Comments of North America Power Partners LLC on the Issue Paper on Direct Participation of Demand Response Resources in CAISO Electricity Markets

North America Power Partners LLC offers the following comments on the Issue Paper on Direct Participation of Demand Response Resources in CAISO Electricity Markets, dated December 22, 2008, and the issues raised on the conference call of January 5, 2009.

Background:

North America Power Partners LLC (NAPP) is a provider of Demand Resources across the United States in electric organized markets including NE ISO, NY ISO and PJM ISO as well as IOU-based programs including our participation as a CA DR aggregator for Southern California Edison. NAPP is active in the regulatory process in promoting the development of reliable Demand Response resources in California Public Utilities Commissions initiatives and welcomes this opportunity to participate in the CAISO process to expand Demand Response in accordance with FERC 179 and in conjunction with the CAISO MRTU.

Comments:

North America Power Partners comments address specific issues in two general areas of concern: Resource Eligibility and Operations.

Resource Eligibility:

All California customers located within the ISO managed region in should be allowed to participate as DR resources in the CAISO markets, whether they are IOU or non-IOU customers.

Size Limitations. DR resources are sized to fit the requirements of the customer's underlying operations. To allow for maximum participation by DR resources, the CAISO should allow loads of less than 1 MW to participate as DR resources in all markets, including Ancillary Services, Real Time Energy and Day Ahead Energy. In addition, aggregated loads should also be allowed to participate to meet minimum thresholds, so that even a minimum of 100KW of DR could be achieved with an aggregation of accounts. This will allow smaller commercial and residential customers to participate as demand resources.

With regard to portfolio management, NAPP supports the participation of DR resources as an aggregated resource of multiple retail customers that is managed as a "portfolio" for purposes of assessing performance. This model is proving to be effective at the level of the individual IOU and can provide similar value on a grid-wide basis.

DR Resource Registration. Section 3.2 of the Issue Paper seems to make the tentative conclusion that a DR resource may only be registered to one CSP. However, different CSPs may focus on different markets, and a “one CSP per DR resource” limitation may not lead to the most efficient use of DR resources. For that reason, the CAISO should allow two CSPs (DR Aggregators) to represent same DR Resource (Customer metered account). For example, a single DR resource may have one CSP for Ancillary Services and another CSP for other markets.

Metering Requirements. The California investor-owned utilities (IOUs) are investing hundreds of millions of dollars in Advanced Metering Infrastructure (AMI). The CAISO should recognize and accommodate this investment and should allow for range of AMI metering solutions (rather than limit participation to specific technology) to allow for custom solutions as a “telemetry” proxy. Further, metering requirements should be consistent with the specific market requirements for participation as a resource in each market. Therefore, the requirements for participation as an energy resource or capacity resource should suffice with standard hourly or 15 minute interval data, whereas the reserves market should require metering solutions that provide actual 1-minute interval data. Matching metering to actual market participation requirements will promote more efficient use of recently installed IOU based AMI and will also promote the evolution of metering technology to the benefit of all DR programs.

Participation of Existing Portfolios. To maximize the participation of existing DR aggregator (CSP) portfolios in CAISO markets, the CAISO should allow for current DR Aggregator Portfolios developed through IOU programs to participate as DR in CAISO markets independent of IOUs for delivery periods that are outside of IOU contract delivery periods. These existing DR resources are already in place (or under development), and the CAISO should take advantage of their ability to provide additional value while meeting their contractual obligations to the IOUs.

Distributed Generation and Back-up Generators as a Potential Resource. Some customers who participate in DR programs maintain back-up generators or on site “behind-the-meter” (BTM) generation to provide power for essential operations when service from the IOU is curtailed as part of the DR program. In some circumstances, these generators might be able to participate in some of the CAISO markets. The CAISO should review the use of distributed generation from retail customers’ BTM generators for DR for possible participation in Ancillary Services and other markets.

Operations:

Energy Settlements. DR resources in other markets are paid for the full energy payment of their reduction in the market, net of the retail cost that the customer has avoided based on its individual retail rate. The customer “earns” the retail rate savings in its utility bill and is therefore compensated by the CAISO only for the incremental benefit. However, this arrangement does not address the fact that the market rate would have been higher if not for the availability of the DR resource, and the DR resource thus provides a value that

is not recognized in its compensation. NAPP believes that the DR resource should receive the full energy payment of their reduction in the market as just compensation for the total “value” that they bring to the market and that the retail rate should not be deducted from that payment.

The CAISO should maintain the central systems and databases that support the registration and settlements of market resources and transactions. The system should allow for EDC, LSE, CSP and CAISO data entry, review and approvals as needed for each DR resource registration, transaction and settlement. Metering should be maintained outside of the CAISO system and reported to the CAISO by the corresponding DR resource aggregator or provider. Remote control and telemetry requirements can be barriers to participation and should not be a requirement for participation.

Measurement and Verification. M&V of DR resources is an evolving area of focus across all ISO regions. NAPP suggests that an assessment of current rules be completed and that this be addressed through the Working Group to implement a selection of methodologies that address the differences between customer load profiles, the factors that impact their profiles and the DR participation.

Other Topics.

NAPP supports the Firm Service Level (FSL) and Guaranteed Load Drop (GLD) commitments for participation as a DR resource. Different resources are able to provide DR by either making a minimum threshold usage commitment (FSL) or by committing that they will shed a specific amount of load at the time of the call event (GLD). Both options should be allowed for participation. The CAISO should be able to rely on the performance of DR resources as it operates the grid in accordance with these two terms.

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